LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7853 | **NOTE PREPARED:** Mar 28, 2003
BILL NUMBER: SB 454 | **BILL AMENDED:** Mar 27, 2003

SUBJECT: Port Commission Powers.

FIRST AUTHOR: Sen. Kenley | **BILL STATUS:** CR Adopted - 2nd House
FIRST SPONSOR: Rep. Weinzapfel

FUNDS AFFECTED: X **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) The bill authorizes the Indiana Port Commission to construct and finance: (1) maritime and nonmaritime port projects throughout Indiana for the transfer of goods and passengers between all modes of transportation; and (2) nonport projects to promote economic growth and development throughout Indiana. The bill specifies the powers of the Commission with respect to these projects, including the conditions under which the Commission may issue bonds and enter into various agreements. The bill prohibits the inclusion of language in a Port Authority revenue bond that would create a "moral obligation" on the part of the state to pay any part of the bond. The bill exempts projects to be leased to a private party from certain public works laws. The bill also makes certain provisions in IC 8-10-1 applicable to IC 8-10-4 (self-liquidating port projects).

The bill requires the Transportation Finance Authority to purchase the bridge crossing the Wabash River on State Highway 66 if federal funding is available to cover certain costs required to repair and operate the bridge. It provides for the operation of the bridge under the laws governing the operation and financing of bridges into adjoining states. The bill also allows money collected from the use of the bridge in Mount Vernon to be used for the acquisition of the bridge on State Highway 66.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) *Port Commission:* The bill expands the Port Commission's authority beyond financing and building port projects on Lake Michigan, the Ohio River, and the Wabash River. In addition to its current powers, the bill authorizes the Port Commission to issue revenue bonds under its current law issuing authority to finance projects involving (1) to (3) below. Under current statute, Port Commission revenue bonds have a maximum maturity of 50 years.

(1) Ports on other water bodies in Indiana.

(2) Nonmaritime port and traffic exchange points throughout Indiana for the transfer of goods and passengers between all modes of transportation.

(3) Any other project located in Indiana other than at a port, that the Commission finds will enhance, foster, aid, provide, or promote: (a) economic development; (b) public-private partnerships; and (c) other industrial, commercial, business, transportation purposes.

Under current statute, Port Commission revenue bonds do not constitute a debt, or a pledge of the faith and credit, of the state or political subdivisions of the state. In addition, current statute requires that revenue bonds of the Port Commission be secured with revenues derived by the Commission from fees, tolls, rentals, and other charges for: (1) the use of Commission ports, projects, terminal facilities, and lands; or (2) services rendered by the Commission. Current law authorizes the Port Commission to fix its fees, tolls, rentals, and other charges to provide revenue sufficient to pay its administrative, operation, and maintenance costs and the principal and interest on revenue bond issuances. As a result of the bill, the Port Commission would incur additional administrative expenses relating to the expansion of project financing authority. Additional staffing that may be necessitated by this expansion is unknown at this time. The Port Commission currently has 11 employees staffing its Indianapolis office, with 23 port employees located in Mt. Vernon, Jeffersonville, and Portage.

New Harmony Bridge Acquisition: The bill requires the Indiana Transportation Finance Authority (ITFA) to purchase the New Harmony Bridge but only if $3.1 M in federal funding is obtained for bridge repairs and operational costs. Thus, the bill would have no fiscal impact provided this federal funding is not obtained. The required federal funding must be for the following purposes: (1) Immediate repairs necessary to keep the bridge in operation; (2) short term repairs necessary to extend the bridge's useful life for five to 10 years; and (3) annual operating expenses for the remainder of the bridge's useful life.

Financial Resources of ITFA: Provided the required federal funds are obtained for repair and operation of the New Harmony Bridge, the ITFA indicates that the only available resources to cover acquisition costs, and other costs not covered by the federal funding, would be from toll revenue from the bridge itself. However, the potential toll revenue is expected to be insufficient to issue and support bond payments for this acquisition (see revenue data below).

Also, the bill suggests that the ITFA could utilize resources of the Wabash Memorial Toll Bridge to purchase the New Harmony Bridge. However, these resources potentially could be required for rehabilitation and improvements to the Wabash Memorial Toll Bridge and would not be available for the New Harmony Bridge purchase. In FY2002, the Wabash Memorial Toll Bridge collected $832,215 in toll receipts and interest income and incurred $474,887 in operating expenses, earning $357,327 in net income. The Wabash Memorial Toll Bridge also had $4,200,873 of cash on hand as of June 30, 2002. INDOT has identified almost $15 M in necessary rehabilitation and improvements to this over the next two years. (Note: INDOT also expects to utilize the balance of the Interstate Bridge Fund ($6,098,357) to fund the needed repairs to the Wabash Memorial Toll Bridge.)

History of Bridge: The New Harmony (toll) Bridge was built in 1930 connecting Posey County in Indiana with White County in Illinois by a private company with authorization from the U.S. Congress. In 1941, Congress created the White County Bridge Commission to operate and maintain the bridge with the intent to transfer ownership to the states of Indiana and Illinois as a toll-free bridge once all bonds relating to the bridge were paid off. An offer to transfer the bridge in 1955 was rejected by the states on the grounds that the bridge was not in sound structural condition. The Federal Highway Administration (FHWA) had oversight of the Commission until 1998 when that oversight was dissolved with the passage of the transportation act, TEA-21. At that time, FHWA approached the Commission and Illinois Department of Transportation (IDOT) and INDOT to develop a transition program of the Commission to the two states. IDOT and INDOT again rejected taking over the bridge because it does not meet current standards, but agreed that if Congress provided funding for the replacement of the bridge, they would accept joint responsibility for the bridge. An appropriation request in the amount of $3.1 M was submitted by Congressional members of both Illinois and Indiana for FY 2003.

In November of 1999, State Road 69 opened between State Road 66 and I-64, providing a direct link between the Mt. Vernon Port and I-64, reducing truck traffic over the bridge by 65% and auto traffic by 16%. In light of decreasing revenue and the inability to perform necessary maintenance needs to maintain the safety of the bridge, the Commission announced in October 2001 that the bridge would have to close by the end of the year. The Illinois Department of Commerce and Community Affairs granted the Commission $120,000 for bridge repairs and maintenance to keep the bridge open while a solution for bridge funding was sought. The Commission also raised tolls on the bridge effective January 1, 2002, doubling rates to $1.00 for cars, $1.50 for 2-axle trucks, and $3.00 for semis. However, total vehicle traffic was down more than 25% for the first seven months of 2002, likely in response to the rate increase.

Traffic Analysis:

	1998	1999	2000	2001	2002 Through July
Truck Traffic	37,311	37,002	13,122	11,146	3,714
Auto Traffic	675,726	678,803	570,622	531,654	233,409
Total Traffic	713,037	715,805	583,744	542,800	237,123
% Change		.4%	-18.4%	-7.0%	-25.53%*

* % Change over Jan-July 2001

Commission's Revenue and Expenses:

	1998	1999	2000	2001	Estimated 2002
Toll Revenue	410,517	411,670	307,469	286,134	346,802
Other Income	19,689	12,969	16,160	14,260	8,000
Total Revenue	430,206	424,639	323,629	300,394	354,802
Operating Expenses	266,788	269,289	270,713	262,880	279,500
Maintenance Expense	172,587	310,141	31,943	63,435	200,000
Net Income (Loss)	(9,169)	(154,791)	20,974	(25,921)	(124,691)

The White County Bridge Commission has been operating at a loss since 1998 and greatly curtailed maintenance expense in 2000 and 2001 in response to falling revenue. Even with the increase in tolls and the $120,000 grant from Illinois, the Commission still expects to end 2002 in the red. The Commission's 2001 financial statements indicate that there was $191,195 of cash on hand on December 31, 2001. The resources of the Commission suggest that money is not available for major rehabilitation or repair needs for the bridge.

Maintenance Needs: In July 2001, INDOT engaged an engineering firm to conduct an inspection and prepare cost estimates for rehabilitation of the New Harmony Bridge. The report indicated that portions of the bridge were reconstructed in 1962 and the east abutment bridge seat was reconstructed in 1997. The original bridge deck has been maintained in all spans except for the 1962 reconstruction. The report stated, "Overall, the bridge is judged to be in fair to serious condition with advanced section loss and deterioration having affected primary structural components. With some exceptions, the most serious conditions appear to be relatively consistent throughout the entire length of the structure…It is our opinion that this bridge is near the end of its useful life, unless significant structural repairs are made in the immediate and near (short-term) future." The report defined immediate as within 30-60 days and short-term as within 12 to 18 months. Immediate repairs of $66,000 were identified to keep the bridge in operation, and short-term repairs totaling $2,286,000 were identified to extend the useful life another five to ten years. The report goes on to recommend that, "Reconstruction of the existing structure for more than 10 years of service is not considered feasible, and is not recommended due to the inadequate horizontal clearances that render the main truss spans functionally obsolete." The report estimates the cost of a new bridge between $15 and $20 M, which does not include any cost of road reconstruction, additional right-of-way, or demolition of existing bridge.

Explanation of State Revenues: Under current statute, ports and other property of the Port Commission, interest on Commission revenue bonds, proceeds from the sale of the bonds, and receipt of the interest and proceeds is exempt from taxation in Indiana, except for the Financial Institutions Tax and the Inheritance Tax. The bill extends this tax-exempt status to nonmaritime port facilities and nonport projects of the Commission that are authorized by the bill. Thus, the bill could result in the exemption of additional investment income from taxation, to the extent that taxpayers substitute investment in Port Commission revenue bonds for investments in taxable instruments.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current statute, ports and other property of the Port Commission, are exempt from property taxation in Indiana. The bill extends this tax-exempt status to nonmaritime port facilities and nonport projects of the Commission that are authorized by the bill. In addition, the bill extends a current property tax exemption for leaseholds in Port Commission land. Under current law, a lessee's leasehold estate in land that is part of a *port* is exempt from property tax. Under the bill, a lessee's leasehold estate in land that is part of a nonmaritime port facility authorized by the bill is also exempt from property taxation. The bill could potentially affect property tax revenue to local units given that it substantially expands the types of projects that the Port Commission may finance and build. This fiscal impact would arise due to the tax-exempt status of Port Commission property and the property tax exemption relating to land provided to lessees of Port Commission facilities.

State Agencies Affected: Port Commission; Indiana Transportation Finance Authority; Department of Transportation.

Local Agencies Affected: Local government units; Posey County.

Information Sources: Steffanie Rhinesmith, Financial Analyst, Indiana Transportation Finance Authority; 233-4332. Indiana Port Commission website, www.portsofindiana.com.

Fiscal Analyst: Jim Landers, 317-232-9869; Jim Sperlik, 317-232-9866.